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ABSTRACT

Fiscal issues in higher education are considered, based on four conferences attended by academic and business leaders. After an initial conference of college and life insurance company presidents at Princeton University in 1978, three regional meetings were held in Greensboro, North Carolina; Kalamazoo, Michigan; and Boston, Massachusetts. Influences and trends in higher education today are briefly noted, and the key fiscal issues are considered. There is agreement that the fundamental problem is inflation and that it will not go away. The academic side is hit more severely than business, where increased costs can be passed on to the consumer. College budgets and declining enrollments are key fiscal concerns. The growing power of the government in higher education, the absence of a coherent policy, and the cost of compliance are noted, along with the relationship between public and private education. The situations in the midwest, northeast, south, and west are considered. It is suggested that new styles of leadership are gradually developing in both business and academe, which is heightening the similarities and diminishing the differences between them. Ways that business can help educational institutions are considered in relation to expertise, an alliance for public policy, corporate grants, and exchanges. Steps colleges can take include the following: define the mission of the institution, examine the strategies of business, develop strategies to counter the demographic trend, and exert pressure on the government to modify tax laws. A list of conference participants and agendas are appended. (SW)

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FISCAL ISSUES in HIGHER EDUCATION

The 1980's

By Carol Kipoke, Princeton University

Report on four conferences (1978-1980) of academic leaders and executive officers of life insurance companies, sponsored by the University Advisory Council of the American Council of Life Insurance: Princeton, New Jersey; Greensboro, North Carolina; Kalamazoo, Michigan; Boston, Massachusetts.

American Council of Life Insurance

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Introduction

The American Council of Life Insurance has a long history of building bridges between the business and academic communities. Through its University Advisory Council, chaired by Edward D. Sullivan of Princeton University, it has on various occasions brought together college and life insurance company presidents to focus on issues of common concern: "Current Student Attitudes, Possible Implications for Business and Education" (1974), "Alternate Careers for Ph.D.'s in the Humanities" (1977), and most recently a series of four conferences on "Fiscal Issues in Higher Education" (1978-1980).

At the source of these meetings lies the conviction that problems of national magnitude are best addressed by thoughtful people in all sectors of society. Linked to this is the realization that communication between the academic and the business worlds is frequently deficient.

Ralph Waldo Emerson has written that "Men who know the same things are not long the best company for each other." The most far-reaching goal of these conferences was to serve as a forum of exchange among people who know different things. Robert F. Froehlke, president of the American Council of Life Insurance, put it this way to the assembled academic leaders: "You are teaching our management and our market of tomorrow. We want to hear what you are teaching them, what they are learning, what they are thinking. Since you are teaching the leaders of tomorrow, you can identify the insights and affect the insights."

By its very nature, the life insurance industry is long-term in its vision. Like the academy, it is a people-oriented enterprise, concerned with the quality of life, and it is thus appropriate that the American Council of Life Insurance take the lead in focusing attention on issues affecting society. One of these is clearly the precarious position and troubling future of higher education in America on the threshold of the 1980's.

The first conference on Fiscal Issues in Higher Education brought together some 40 college and life insurance company presidents at Princeton University in 1978. They concluded that the problems facing higher

education might best be examined in a series of regional meetings where local business and academic leaders could, in the light of regional peculiarities, develop specific projects for collaboration between individuals and institutions. Meetings were thus held in Greensboro, North Carolina; in Kalamazoo, Michigan; and in Boston, Massachusetts. In all, more than one hundred presidents participated from the business and academic sectors. This report is an attempt to capture the ideas that emerged from their discussions, to outline the problems common to most colleges and universities, to give some sense of regional differences and finally, to suggest some strategies and some paths that higher education might envisage in the 1980's.

Higher Education Today

"The whole system has never been in as much trouble as it is today." With this declaration, John Sawhill, then president of New York University, opened in 1978 the first of four conferences on Fiscal Issues in Higher Education. In the ensuing two years, presidents from the business and academic communities met in the south, the midwest, and the northeast in an effort to assess the resources of higher education, to measure the parameters of its trouble, and to chart a course toward a shared future.

Higher education is a $50-billion industry with 3,000 colleges and universities, 11.5 million students, and 400,000 faculty. Between 1960 and 1970 expenditures almost quadrupled from $6.7 billion to $24.7 billion. Half of all faculty members teaching in 1970 had been hired since 1960. The recessions, inflation, spiralling energy costs, and declining enrollments of the 70's, however, prepared a new scenario for the 80's, one which has been deemed a "businessman's nightmare": 1) the traditional student market will shrink by 20% in 10 years; 2) prices will double or triple; 3) the labor-intensive industry will continue to rely on labor for its quality; 4) government regulation will continue to increase the costs of compliance with ERA, ERISA, OSHA, EEOC, Title IX, due process, students' rights, and other legislation; 5) private institutions will compete with giant public institutions whose costs are subsidized 50% to 70% by the government. Not surprisingly, this configuration has generated in some parts of academia a vocabulary of retrenchment and decline, also dubbed "the rhetoric of the falling sky." But that was not the rhetoric of the Fiscal Issues meetings whose tone is more aptly voiced by Terry Sanford, former governor of North Carolina, now president of Duke University: "Fiscal issues should not be the whole preoccupation of the future. As essential as fiscal matters are, that's not why we are here. We don't want to let the ship sink... But our purpose is not to keep the ship from sinking; it is to take the ship somewhere, and to decide where and why and how." In the president-to-president perspective of these conferences, leaders from both sectors explored the where, the why, and the how. Their discussions were animated by two convictions: first, the

premise that the college and the corporation are two uniquely American institutions which, when working together, can provide a vital resource in American society; second, the belief that the questions before us — Who should go to college? Who should control the colleges? Who should pay for college? Who should be involved in making national policy concerning higher education? — are so important that they require the collaboration of both institutions. And, as Union Mutual Life Insurance Company president Colin C. Hampton declared: "If we can get the issues out on the table, the history of this country has shown that we can find a solution."

The Key Fiscal Issues

INFLATION

Presidents in both sectors agree that the fundamental problem is inflation and that it will not go away. Rather, as the well-known corollary states: "After things have gone from bad to worse, the cycle will repeat itself." Inflation obviously affects both sectors, but if the grass is brown on both sides of the fence, the academic side is hit more severely than business, where increased costs can be passed on to the consumer. In education, by contrast, there is a limit to how much tuition can be levied. Contrary to the prevailing impression that tuition costs are out of sight, college presidents are proud to remark that the price of a college education has not outpaced inflation. Today, as in 1947, the price of a year at college is about the same as a new four-door sedan. And yet, it is well known that the tuition charged represents only a part of the actual cost of education. In 1979 tuition at private colleges averaged 36.7% of the total college revenues, leaving a gap of 63% between the price and the cost. At public colleges and universities, student tuition and fees accounted for only 12.8% of operating revenue, leaving an 87% gap.

The budget of a "typical" college, as Ohio University President Charles Ping explained, is divided roughly into two categories: 80% to 85% personnel costs and 13% to 16% plant operation costs. Reductions necessarily come from these two domains and, over the last ten years, dramatic cuts have been made in both. College administrators, it has been observed, are adept at stretching dollars. They are champions at cutting corners and, in fact, some of their problems come precisely from the cuts. Howard R. Bowen, one of the leading experts in higher education, believes that higher education in the recent past has survived "partly because of a slow and seemingly inexorable using-up of capital," in essence: drawing down reserves, spending rather than investing gifts, freezing salaries, deferring maintenance.

In the area of plant operation, the temptation to defer maintenance is a real one. Trinity College in Hartford recently replaced two boilers at a cost of a million dollars but, as one college president lamented: "What donor

wants his commemorative plaque on a water heater?" Another president, Samuel Spencer of Davidson College, poignantly asked: "When you haven't washed the windows for two years, what do you do for an encore?" One answer is that colleges make cuts in the personnel area. As Carol Frances, chief economist for the American Council on Education, has pointed out: "Colleges have been spectacularly successful in meeting higher costs... The costs that a university can control in the budget — faculty salaries — have been controlled so well that the industry is losing income faster than in any sector." Since 1971 the price of goods and services purchased by colleges —the Higher Education Price Index — has increased 85% while consumer prices rose 95% and faculty salaries rose 59%. For 1980-81, the average salary of a full professor at a doctoral degree granting university is $31,426 (the figure is $24,092 for an associate professor and $19,125 for an assistant professor). Since 1973 the salaries of non-agricultural workers in the United States have increased by 110%; those of professors by only 65%, leading most faculty members to the conclusion that when you get to the point where you can make ends meet, they move the ends.

Blocked salaries and deferred maintenance are perilous remedies with threatening long-term consequences on faculty and student recruitment and quality, on academic governance, and on plant operation. Mark Twain once observed sagely that one should take from an experience only the wisdom that is in it, and stop there, lest we be like the cat that sits on a hot stove: he'll never sit on a hot stove again, but he'll never sit on a cold one either. The fiscal challenge for higher education is to preserve the quality of what is done with a smaller resource base. And the need is to draw all the lessons one can from the fiscal situation, but no more, lest the defenses against inflation — stagnant salaries and non-maintenance — attack the institution from within.

DEMOGRAPHICS

"It takes a dash of bravado to make a projection," declared the authors of the Carnegie Commission report *More than Survival*, "but it shows a touch of madness to believe too much in its invincibility." Projections about the college enrollments in the next two decades vary by as much as 225%, but since the graduates of the class of 2001 have already been born, some of the relevant statistics are known: between 1980 and 1992 the number of 18-year-olds will decrease by 25% from 4,211,000 to 3,168,000. After the trough in 1992, the number will increase slowly through the 1990's. But by the year 2000 there will still be about 8% fewer 18-year-olds than in 1980.

Conclusions to be drawn from these statistics are at wide variance and in hot dispute. The effort to estimate the actual number of college students in the 1980's and 1990's is complicated by a large number of factors. First, the demographics vary widely by region. A study by Cathy Henderson of the American Council on Education projects that between 1975 and 1985 the population of 18-year-olds will rise in 12 states and decline in the other 39 states (including losses greater than 20% in 11 states). A second uncertainty

is the complexity of predicting the rate of college attendance, which varies by sex, race, social class, region, and type of institution. Also unknown is the potential for increase in the non-traditional cohort: adults, transfers from two-year colleges, high school and college dropouts.

If enrollments were to shrink in proportion to the birthrate, the college population would decrease by about 15% by the 1990's. Rising up against this doomsday view, however, are some voices of optimism, most prominently that of Carol Frances whose study "College Enrollment Trends: Testing the Conventional Wisdom against the Facts" proposes that mitigating factors could bring the actual enrollment figures to within 3% (in either direction) of what they currently are. Factors which some analysts suggest (and others deny) will offset the population decline are:

- *An increase in the number of high school students who graduate (one in four now drops out before graduation).*
- *A larger percentage of high school graduates, specifically low-income, minority and women, attending college.*
- *A decrease in the number of college dropouts.*
- *A rise in the attendance of non-traditional students: adults, mid-career, foreign students, part-time students.*
- *An easing of the "sibling squeeze." University of Pennsylvania economist Richard A. Easterlin suggests that smaller families might encourage college attendance: "It is easier for parents to send one or two kids to college than three or four."*
- *Renewed confidence in the economic value of a college degree. In a decade where there are abundant jobs in technical, professional, service and information processing fields, there may be incentives to pursue postsecondary school training.*
- *The educational level of parents. The schooling of parents is a crucial predictor of children's college attendance. The student population of the 1980's and 1990's are the offspring of highly educated parents.*
- *Unforeseen events such as the reinstatement of the draft, with deferments for college students.*

In the debate among analysts predicting college enrollments for the 80's, the difference between the optimists and the pessimists is less than it appears: the optimists tend to think that we live in the best possible world; the pessimists fear this is so. Both camps agree that energetic steps will have to be taken to widen and maintain the applicant pool of the future if colleges are to survive.

Relationship with the Government

As American society moved toward the view of education as a right rather than a privilege, American government came to play an ever larger role in the educational enterprise. If it is true that the chief cause of problems is solutions, then federal presence in higher education today is a problem that began as a solution. In 1862 the Land Grant Act accorded to states 11 million acres of land for educational use as the first step in a national investment. Until World War II the federal government acted as a supporter and consumer of education, without exercising the role of controller. But since then its role has expanded steadily. In the fifteen years between 1951 and 1976, federal expenditures for higher education rose from .15 percent of the GNP to .62 percent. With increased support came regulations, in the justifiable expectation that colleges be accountable for funds received.

According to Richard Gilman, president of Occidental College, who served for five months as consultant during the creation of the Department of Education, federal presence in education is felt in four areas: 1) constitutional rights; 2) consumer protection; 3) fiscal accountability; 4) research in the national interest. The federal government has led a massive effort to widen access to higher education, to protect and enhance the rights of individuals, especially women and minorities. This legislation, much of it beneficial, has nonetheless generated its own set of problems, some of which can be identified.

1. THE GROWING POWER OF THE GOVERNMENT

Federal support has always carried with it an obligation to use the funding legally. But now the concept of legal use has expanded to include non-discrimination, affirmative action, and socially-mandated programs related to conditions of work. Moreover, government support for one project within a college subjects all other programs to government regulation. The fear today, expressed by Kalamazoo College president George Rainsford, is that "power will continue to shift to where the balance of power already is: in the hands of the federal government."

2. THE ABSENCE OF A COHERENT POLICY

Asked how the federal impact is changing, Indiana University president John W. Ryan replied: "there is more of it and it is done without any democratic policy making." No single source dispenses government aid. Rather, as Earl F.Cheit, Dean of Berkeley's School of Business Administration has noted, some 60 different agencies administer 375 separate programs related to higher education, and each agency negotiates separately with the colleges, imposing its own regulations and accountability requirements.

3. GOVERNMENTAL OVERLOAD

A massive government is cumbersome, inefficient and, in the final analysis, overworked. As Mark Curtis, president of the Association of American Colleges, noted, we must ask what the federal government can realistically be expected to do. "The government is being overloaded with duties and responsibilities. The risk is that when people and institutions are overworked, there is a reduction to uniformity with justice to no one."

4. THE COST OF COMPLIANCE

Federally-mandated social programs hit colleges with particular intensity since colleges cannot pass on increased personnel costs to consumers or deduct them as business expenses. Beyond the actual cost of complying with regulations lies the cost of accountability: the bureaucratic machinery which colleges must create in order to account for funds and document compliance.

The Relationship Between Public and Private Education

One of the most threatening consequences of today's fiscal problems is the imbalance between the public and private sectors. A great strength of American education has been its diversity, and specifically the pluralism that comes from a dual system of education. This dual system has three distinct virtues: public and private colleges challenge each other and set mutual standards (Duke and Chapel Hill, Stanford and Berkeley, etc.); the presence of private colleges curbs political and governmental domination of higher education; and, on the most pragmatic level, private institutions save the taxpayer money. They are, as former New York University president John Sawhill has pointed out, more economically run than public institutions and above all, they free the public sector of the burden of educating those who choose private education. According to Sawhill, it would cost society less to subsidize students attending private colleges than to take on the responsibility of educating them in public universities.

Society has generally acted on the assumption that the health of the whole educational system depends on keeping both sectors strong, but today private colleges are threatened by two important shifts from private to public institutions. The first involves students, the second involves money.

During the 1950's and 1960's, when masses of new students, including GI's, entered the postsecondary market, private colleges were not equipped to handle the influx. The government, through tax-supported institutions, met the increased need. But since then, the private colleges have not even been able to maintain their ground. In 1950 half of all college and university students were in privately endowed schools. Today that number is 20%, with 80% in public institutions. The fundamental reason for this is the widening tuition gap. If college tuitions seem so expensive today, one reason is that public colleges are competing at a lower cost: unlike the automobile, clothing, or any other industry, the public sector is offering a similar product for less — so much less that tuition at a private college averages four times more than at a public institution.

In addition to the shift of students to public education, there is also a shift of funding, both tax dollars and philanthropic dollars. Large public institutions like the Universities of North Carolina and Michigan are seeking private funds to make themselves competitive with the very best American universities. And they are garnering a growing percentage of corporate and individual support.

There is a serious concern today that the dual system of education is in jeopardy. As more assets shift to the public side each year, many would agree with Lincoln National Life Insurance Company president Ian M. Rolland that "In higher education today the deck is seriously stacked against the private sector." David Breneman, senior fellow at the Brookings Institution, predicts that 200 to 300 liberal arts colleges are in danger of closing in the next decade. Few of them are likely to be public institutions. The burdens of inflation and demographics will be borne most heavily by the sector that can least afford to bear them.

One remedy for this is to shape public policy, and in particular student aid policy, to help students cover the tuition gap, thus offering them a fairer choice between public and private institutions. This would not only ensure the vitality of a dual system, but it would also educate college students more economically than if private institutions were to close. It seems clear that if the government were to achieve a virtual monopoly over education, all of society would lose. The danger is that the public institutions, created to meet needs not filled in the private sector will, in the future, put the colleges they were meant to complement out of business.

A Regional Perspective

Whatever the gravity of the shared concerns common to many institutions, the prospects for the future do have quite pronounced regional characteristics. At the Fiscal Issues meetings the mood ranged from disquiet in the midwest and determination in the northeast to guarded optimism in the southeast.

THE MIDWEST

"In a sense the midwest is advantaged," said George Rainsford, Kalamazoo College president, for in this region "neither private education, as in the east, nor public education, as in the west, has traditionally dominated — with all the assumptions of leadership ... and therefore both will have to be involved afresh if effective leadership is to emerge." But if this dual tradition is a strength, other circumstances in the midwest present formidable handicaps.

All of the demographic data suggest that the midwest will be an area of maximum decline of college age population in the 1980's and 1990's. While the national decline of 18-year-olds will be between 15% and 25%, the proportion of decline in Michigan, Ohio, and Indiana will be closer to 35%. More midwestern institutions will be affected by the population decline and their plight will be more visible than elsewhere. According to Rainsford: "If we continue with our relative absence of any organized management of decline, the number of private institutions who go 'to the wall' in the midwest will be substantially larger than the average for the nation as a whole."

Many of the problems of the middle west come from its early responsiveness to the yearning for higher education. In the 19th century many colleges were constructed whose buildings are now old and in need of repair. This comes at a time when there is less capital for maintenance and renovation. After World War II, in response to the influx of students, midwestern colleges expanded to meet new needs. Now there are large plants and shrinking enrollments. These liabilities — large plants with old buildings —

are compounded by the rigorous climate of the area, which adds wear and tear to buildings and a heavy burden of energy costs.

Colleges and universities in the midwest have been particularly energetic and successful in creating state programs for the funding of private and public institutions. Faced with dire economic problems, however, these midwestern states are obliged to increase payments in areas such as unemployment and welfare and to cut back on some commitments to education. The Michigan legislature, for instance, cut the higher education budget by 5.2% for the fiscal year 1980-81. For Michigan State University, this cut amounted to $9-million for which trustees are trying to compensate with measures that might include a three-day furlough without pay for employees, including administrators and faculty, and a 20% surcharge on winter term tuition.

The midwest has traditionally attracted large numbers of students from other regions, particularly the east. Now, as state scholarship programs lure students to remain within their home states, migration of out-of-state students diminishes and the already shrinking applicant pool grows even smaller. Moreover, as population declines in the midwest, these states are losing their influence in Congress to the growing populations of the south and west. This makes them less able to attract federal funds.

The midwest is also an area severely hit by recession, since these states tend to be dominated by single industries: the automotive industry in Michigan and Ohio, steel in Ohio and Indiana. The flight of businesses from the midwest to the south will further decrease the tax base and the sources of corporate support for colleges. As the regional economy languishes, students whose families might formerly have been able to afford tuition at private colleges will enroll instead in public colleges, further weakening the private sector.

In the wake of all these circumstances, midwestern colleges and universities find themselves in stringent circumstances with fewer students, less funding from state governments, and less influence in Washington to obtain funds.

There are two traditional reactions to adversity. At one extreme is what might be called going down with the sinking ship. At the other is that of General Custer: "It can't happen to me." Planners in all sectors and all regions, but particularly in the midwest, must at the same time devise strategies for decline and maintain aggressive postures to deal with budgets and enrollments.

THE NORTHEAST

Many of the problems of the midwest — a slowing economy, unemployment, severe winters, population loss to the sunbelt — are shared by New England, but there are also some peculiarities of the northeast which college presidents find heartening. President Lattie Coor of the University of Vermont believes that New England's educational institutions will survive above all because "New England has lived by its wits longer and better than

any other part of the country." All other regions had specific attractions: the west had a whole mythology; the midwest had coal, oil, the steel and automotive industries; the south had sun and inexpensive labor; but New England, in Coor's view, lived by its own ingenuity and effort.

Other factors encouraging to New England college presidents are the growing importance of high technology industry, which brings jobs and expertise to the region, and the long standing prestige of northeastern colleges, which attract large numbers of out-of-state students. Unfortunately, this influx does not benefit all colleges equally. Connecticut College, as president Oakes Ames explained, recruits 75% of its students from Connecticut and three bordering states. Since the college-age population will drop 36% in these states, enrollment can be maintained only by widening the applicant pool or by dipping more deeply into it. Because many New England colleges are located in rural settings, they have limited hopes of enrolling large numbers of part-time adult students as some urban universities can.

There is a law abroad that when all things are equal you lose; its corollary is that when all things are in your favor you still lose. The New England college presidents assembled in Boston were conscious of the risks of loss, but their overall prognosis is that with a sense of mission and with careful planning, most of the colleges can create a viable future.

THE SOUTH

In 1918 H.L. Mencken said of the South that it was "larger than Europe but as sterile as the Sahara." As he saw it, there was no art, no orchestra, opera or theatre; it was an agrarian region, lacking in capital, which had suffered from the civil war and from westward migration. It began to rise in the 1920's only to be set back by the depression. Activity resumed after World War II but then was hampered by segregation and by the duplication of black and white facilities. Now, with a boom of capital and population, the south can envisage for the first time the possibility of having cultural and educational institutions equal or superior to the rest of the nation. "North Carolina," remarked Guilford College provost Bruce Stewart, "may be a refugee from the law of averages," that is, an increase in out-of-state enrollment and a rise in the traditionally low college attendance rates may offset the demographic declines that menace the northeast and midwest. And, as Duke University president Terry Sanford concluded: "It's time that the south gets a break with respect to the rest of the nation."

The recent advantages enjoyed by the south do not make it immune, however, to the kinds of problems faced in other regions: high energy costs, low endowments, dependence on tuition income, the tuition gap between public and private sectors, and the transfer of students to public institutions. In North Carolina, for instance, the percentage of college students in the private sector was 52% in 1940; now it is 30%.

The South has taken energetic measures to meet its problems. The North Carolina legislature, in an effort to overcome the consequences of the

tuition gap, has enacted a Legislative Tuition grant by which some $550 a year is credited to the account of every North Carolinian enrolled in a private institution. It is significant that when this legislation took effect, the shift of students from public to private institutions halted and has remained stable at 30% for four years, in contrast to other states without such legislation. The south has fostered successful cooperative arrangements among local colleges in Raleigh, Greenville, and Greensboro. The Research Triangle in the Raleigh-Durham area has brought talent and business to that region; the nearby National Humanities Center, financed with the help of corporate grants, has demonstrated the collaborative possibilities of business and education.

As a result of innovative planning, the south foresees a somewhat brighter future than other regions, and some of the energetic measures taken by southern colleges and legislatures could well serve as models in other areas of the country.

THE WEST

Although a Fiscal Issues meeting was not held in the west, the initial conference at Princeton dealt with the national picture and it is useful to note some of the factors peculiar to that area. According to some observers, most of the western states face the same severe fiscal and demographic problems as the rest of the country. Proposition 13 in California and similar legislation in other western states has diminished the available tax revenues, causing reallocations of state funds to support some local educational endeavors. Oregon, Washington, Idaho, and Utah are experiencing state budget shortfalls, necessitating emergency cutbacks in their current operating budgets. In these states the prospects are grim. Other states, such as Wyoming and New Mexico, are favored by energy development. The general picture, however, to the extent that one can generalize about so vast and varied a region, is for short-term stringency. In the long term, it is possible that westward migration and projects like synfuels and the MX missile could stimulate the western economy.

The Changing Style Of Leadership

During the next decades business and academia will be engaged, both together and separately, in devising long-range plans for coping with inflation, demographics, governmental policies, and social needs. A recurring issue at these president-to-president meetings was the nature of leadership in both sectors.

While the differences in structure and decision-making between a corporation and a university are very real, life insurance company presidents observe within their companies a rise in social consciousness and participatory decision making. Today's young employees -- the college students of the 1960's — seek more involvement in company management. Many social analysts believe that business organizations will evolve in the direction of colleges where participatory decision making is the norm. An underlying theme at the meetings was the hunch that the academy might be seen as an early warning signal of trends that are gradually becoming characteristic of other segments of society.

In some ways, the college president more closely resembles the Mayor of New York than a corporate CEO. The president's constituency includes students, parents, alumni, faculty, trustees, donors, townspeople, and football fans. His product is not merchandise but rather a change produced in people by education. Unlike a business executive, who can discontinue unprofitable product lines, the college leader is entrusted with safeguarding disciplines through periods of waning interest. He cannot responsibly abolish the classics department during periodic drops in enrollment. Nor does he have unlimited power to impose his will on the community: in a consensus mode anyone can say no, but it takes nearly everyone to say yes.

Defined this way, the college presidency might seem like an impossible position. Indeed in 1970, in an issue of *U.S. News and World Report* devoted to "Why College Presidents are Quitting," a group of highly distinguished presidents expressed their opinion that the task had become unmanageable. Father Hesburgh of Notre Dame stated that in 1970 he had about one tenth the influence over campus affairs that he had in 1952. Now, ten years later,

there has been a shift in the perception of the college presidency. In a recent interview Father Hesburgh himself stated that he had witnessed great changes over the last ten years, and that a college president has measurably more scope for action now than in 1970. In the words of Vermont's president Coor: "In complexity, those who control the information and the agenda control the evolution." While no college president minimizes the tensions inherent in the structure and missions of the university, most of those who participated in the Fiscal Issues meetings believe that the job is, if difficult, at least possible. They feel that academic leadership is more centralized than in the late 60's, when it was dispersed among students, faculty members, and administration. In the view of Boston College president J. Donald Monan, students today are more receptive to learning, and the faculty is concentrating on teaching and scholarship; the administration thus assumes the managerial functions. As president Oakes Ames of Connecticut College put it: "This is a time for academic leadership: patience, sensitivity to other people's perceptions of a situation, power of persuasion. Leadership is possible."

Many of the causes of the evolution of the college presidency over the last ten years are linked to fiscal issues. The atmosphere on campuses has changed: the vocal student revolutionaries of the past have been succeeded by a generation of young people preoccupied with finding careers. The freshmen of 1979-80, in a nationwide poll of their intended careers, overwhelmingly listed business. Furthermore, in times of stringency, those who make the budgetary decisions have increased authority. As the Carnegie Commission points out: "Administration, whether inside or outside, gains authority because it deals with money, and money is now particularly important ... it may come to seem and even sometimes to be that the means determine the ends."

As the academic community evolves toward a more managerial mode of authority, corporations, in the opinion of many life insurance company presidents, are moving toward a more collegial model. Young employees, they say, are seeking more involvement and more job satisfaction.

A question in both sectors is how to measure institutional success. No one yardstick suffices for the varied missions of a college. A successful institution will attract students, keep faculty, place graduates, enhance research opportunities, improve library facilities, maintain its plant, increase its investment income, contribute to the community, and respond to social needs. These goals are measurable, but not necessarily by looking at the "bottom line." Rather, the success of a college, like that of a family, includes, but also transcends, economic well-being. Similarly, in business there is a growing realization that the bottom line is not always an adequate performance measure. While a corporation's stated goal is to make a profit, profitability is, in fact, a more encompassing concept than first meets the eye. As Louis R. Mobley, former Director of the IBM Executive School, explains: "There is no profit until there is revenue; there is no revenue until there are customers; there are no customers until there is a product or service; there is no customer or product mix until there are human needs

and wants being satisfied; and, finally, needs and wants are understood by perceiving values."

Fiscal issues and social pressures appear to be provoking changes in business and academia. New styles of leadership are gradually developing in both sectors, heightening the similarities and diminishing the differences between them.

Steps Business Can Take To Help

One day, it is said, William Dean Howells and Mark Twain came out of church in the pouring rain. "Do you think it will stop?" asked Howells. "It always has," replied Twain. Unlike the rain, the problems facing academia aren't likely to subside, and colleges depend on the help of the corporate sector. "My concern," declared Pilot Life Insurance Company president Louis C. Stephens, "is how we as representatives of business can help these fragile institutions, how we can help them solve the serious problems they have, and better define what each institution should be." Various suggestions on how business might help were made at the Conferences and they converged into four main areas: expertise, alliance for public policy, corporate grants, exchanges.

1. EXPERTISE

"Provide time, knowledge, concern. I'd put that above anything else," stressed Duke University president Terry Sanford. Business people, who are also parents, graduates, and concerned citizens, might help in the following ways:

- *Serve as trustees, consultants, visiting faculty, business executives in residence.*
- *Provide management advice on questions like internal balance and cost-effectiveness to help colleges use their resources better.*
- *Provide help on investments so that colleges may obtain a better return on their endowments.*
- *Share marketing expertise. Help colleges package their message to students, alumni, and contributors.*
- *Help gather and disseminate the normative data necessary for college management. Some of this data is already available, but colleges need help in obtaining or using it.*

- *Offer access to technological capabilities to supplement university laboratories, computer capacities, and other research possibilities. Business can help by sharing some of its research facilities, by channeling basic research activity through universities, or by supporting research projects.*

- *Help those faculty members seeking alternate careers to develop new areas of expertise.*

- *Help colleges to study cooperative ventures with other colleges and community institutions.*

2. ALLIANCE FOR PUBLIC POLICY

Just as random stamping seldom catches bugs, so random efforts rarely produce lasting results. Academic leaders asked business to join in a concerted effort to shape policies that will protect educational institutions. Some specific suggestions are these:

- *Help support a public policy to close the tuition gap in order to maintain a balance of types of institutions in the public and private sectors. A dual system is fairer to the student, healthier for the nation and, finally, more economical for the taxpayers.*

- *Help support a tax policy that encourages corporate and individual giving by modifying tax laws so that charitable contributions may be placed "above the line," and deducted from income taxes even when the standard deduction is taken.*

- *Collaborate in an effort to adjust tax laws that apply to educational institutions. Colleges are exempt from property and income taxes, but they are subject to employee taxes such as social security, worker's compensation, and unemployment compensation. At present, non-profit institutions must bear the full burden of these taxes which are neither deductible, as in business, nor transferable to customers in the price of the product. As a labor-intensive industry, education needs help with these taxes, perhaps in the form of a discount, as has been proposed in Congress.*

- *Join in an effort to control the costs of compliance with federal regulations. Lobby for legislation to provide funds to offset the cost of compliance.*

- *Help defend the liberal arts. In the words of University of Vermont president Lattie Coor: "We are preparing students half of whose careers will be in the 21st century. The average American changes careers (not just jobs) three times. If we are only producing entry-level skills and not the internal gyroscopes that permit change and growth, then we are going backward."*

- *Help defend pure research, for future breakthroughs depend on the kind of work being done today in campus laboratories.*

- *Work together to fight inflation, since this is the villain threatening the educational system.*

3. CORPORATE GRANTS

"I trust the corporations to do more and more, and to do it in a more sophisticated way," affirmed Terry Sanford, praising the life insurance industry and its long tradition of enlightened social policy. Some measures that might be taken are the following:

- *Monitor the corporate giving program. Companies can legally give 5% of their pre-tax earnings to charitable causes. Most now budget about 1% for contributions, with an average of 0.37% of pre-tax earnings earmarked for education. In 1979 this percentage amounted to $870 million in contributions to education. Clearly, an increase from 1% to 2% of pre-tax earnings would have a profound effect on the entire non-profit sector.*

- *Define a benchmark — a formula of funds available for higher education with rationales for how they should be allocated. Work with your trade associations to set up criteria for corporate giving.*

- *Study matching gift programs for employee contributions to higher education. Consider increasing the ratio to 2-to-1 or 3-to-1.*

- *Improve corporate tuition programs for employees.*

- *Provide management training grants so that colleges can offer competitive salaries to hire and keep computer specialists and adequate management staff.*

- *Furnish transportation assistance to colleges offering cooperative arrangements. Raleigh, Greensboro, and many other cities have course credit exchanges among local colleges that could be expanded if there were adequate transportation to move students and faculty.*

- *Offer consolidation grants and closure to help colleges solve the human, conceptual, and financial problems of merging and closing institutions.*

4. EXCHANGES

It is said that when the going gets tough, everybody leaves. The conviction at these meetings was that when the going is tough, it is time for collaboration and exchanges of individuals between business and academia. Some modes of fostering communication betweeen the two sectors are listed below:

- *Encourage executive participation in academic programs along the lines of the highly successful "Business Executive in Residence Program" sponsored by the American Council of Life Insurance, where senior officers spend about three weeks on campus, leading seminars and discussions and taking part in campus life.*

- *Collaborate in the new ACLI Professor in Business Program, where university representatives spend some weeks in a company, attending task force and committee sessions and learning first-hand how a corporate structure functions, how decisions are made in a*

corporate setting, and the ways and extent to which a company considers the potential societal consequences of its decisions.

- *Inaugurate in-house enrichment programs for employees, with local college professors offering courses on a variety of subjects, bringing Aspen, in effect, within the corporate walls.*

- *Explore the possibility of shared personnel. See if there is some alternation of time, or careers, or appointments that would be to the mutual benefit of business and the university.*

- *Examine hiring policies. Colleges are getting mixed signals from the corporate world. Executives extoll the liberal arts graduates who can think and communicate while personnel managers tend to seek technically-trained business majors. As Robert Froehlke, president of the American Council of Life Insurance noted, "CEO's say 'We want liberal arts graduates,' but recruiters react to accounting and underwriting departments and ask for specific skills. Personnel departments tend not to look for future CEO's."*

- *Work with the academy to define what we want to come out of the educational system, what business needs. Kenneth Nichols, president of the Home Life Insurance Company, stressed the need for people who can speak and write well, who are familiar with computers and with economics. "The goal is to produce people who can make good value judgments and become contributing members of society."*

Steps Colleges Can Take

It is a law of human existence that when a situation requires undivided attention it occurs at the same time as other compelling crises. Colleges today face — simultaneously — rising inflation, soaring energy costs, a shrinking student market, aging buildings, and growing federal encroachment. Some of the measures suggested to surmount these problems follow:

1. DEFINE THE MISSION OF THE INSTITUTION

The university which tried to do all things — and succeeded; in fact, in many — is no longer possible. In the words of University of Michigan president Harold Shapiro, it is necessary "to make priority decisions and stop addressing such a large sample of socially worthwhile issues." Each college must select a subset of issues and areas where it can contribute well, and leave the rest to others. A few guidelines follow:

- *Be precise about the goals of the institution. Define its constituencies, its impact, its force.*
- *Create a sense of institutional identity and self-awareness, in public as well as private institutions.*
- *Ask each department and program within a college to delineate its strengths and weaknesses, its opportunities, and the threats it faces. Make these known to the college community.*
- *Look to the future. Identify the future student population and compose the future profile of the institution.*
- *Communicate the needs of colleges. Addressing the assembled college presidents, Pilot Life president Louis Stephens concluded: "You haven't told your story very well; you haven't packaged your message. I need to be better informed on the needs of the 80's and what higher education is doing to solve its problems."*

2. EXAMINE THE STRATEGIES OF BUSINESS

H.L. Mencken once defined an optimist as someone who, observing that a rose smells better than cabbage concludes that it would also make a better soup. If roses cannot make soup, so all business techniques cannot be applied to college management. But a great many can. When faced with rising costs and shrinking markets, business takes certain steps, some of which might be transferable to colleges:

- *Think strategically. Define not only missions and goals but the strategy to reach them, as well as clear contingency plans.*
- *Look for an economically viable subset of the market and reevaluate unprofitable product lines.*
- *Reduce plant and staffing.*
- *Halt construction of new facilities.*
- *Use personnel more efficiently.*
- *Improve administrative techniques of budgeting and management.*
- *Seek new financial resources.*

3. DEMONSTRATE FISCAL AND EDUCATIONAL LEADERSHIP THROUGH CONTINUED EFFORTS TO ATTAIN FINANCIAL STABILITY.

At the University of Michigan the base budget of every department is cut by 1% a year. Savings are pooled in a special fund for high priority expenditures. This is one example of a fiscal initiative that attests to the university's commitment to responsible management.

4. STUDY THE MODEL OF OTHER INDUSTRIES THAT HAVE EXPERIENCED DECLINES.

The utility companies in New England share many of academia's problems: a 1% or 2% rate of growth, the burden of fuel prices, an obligation to provide power and develop new sources of energy. This industry might be a model to investigate as higher education seeks ways to cope with decline.

5. DEVELOP STRATEGIES TO COUNTER THE DEMOGRAPHIC TREND.

By 1992, the number of 18-year-olds will have deceased by 25%. In order to maintain enrollments it will be necessary to attract a larger percentage of the college age market and/or reorient to different markets in response to public needs: part-time programs, weekend colleges, in-house industry

classes, refresher courses, professional programs. Even today, a majority of students in college are over 21. Higher education is playing an increasingly important role for adults, whether they seek additional skills, new careers, intellectual enrichment or leisure opportunities. As a life-long activity, education will serve a growing segment of the adult population.

6. EXERT PRESSURE ON THE GOVERNMENT TO MODIFY TAX LAWS.

Work for charitable contributions to be deductible "above the line" on the standard income tax form. Support initiatives to give colleges a discount on employee taxes such as social security and unemployment and worker's compensation.

7. ESTABLISH SELF-REGULATORY MECHANISMS WITHIN HIGHER EDUCATION TO DETERMINE WHICH INSTITUTIONS SHOULD SURVIVE AND WHICH SHOULD BE PHASED OUT.

De-accreditation should be undertaken from within academia rather than by an outside or governmental agency. "If the industry doesn't, the government will," declared Robert Atwell, vice president of the American Council of Education.

8. SEEK COLLABORATION WITH OTHER COLLEGES AND COMMUNITY ORGANIZATIONS.

In-house corporate education is one form of exchange. Another involves consortia of educational and community institutions. Some successful models of collaborative ventures which reduce duplication and extend opportunities beyond the range of a single college are:

- *The Five Colleges alliance in the Connecticut Valley*
- *The Nashville University Center in Tennessee*
- *The joint Clemson/Furman MBA in Greenville*
- *The credit exchange programs in Raleigh and Greensboro, N.C. where students can take courses at any of the cities' institutions*
- *Guilford College's physical education facility, jointly owned with the local YMCA*
- *College health care services at Guilford College contracted out to the neighboring Friends' Home*
- *The joint New York University-Manhattanville professional programs*

9. EXERCISE LEADERSHIP ON THE SECONDARY AND ELEMENTARY SCHOOL LEVELS.

"Higher education has not viewed education as a total process," explained K. Edwin Graham, Director of Education and Community Services at the American Council of Life Insurance. "It has only seen itself as a distinct segment." It is in the interest of colleges to ensure a large cohort of qualified college applicants and to maintain high quality secondary education lest high schools come to require so much support that they drain off the dollars also needed for higher education. Some ways to improve ties between high schools and colleges are to bring high school students into colleges for classes, workshops, and summer institutes; to dovetail secondary school and college curricula; to establish programs in high schools; to improve teacher education; to bring secondary school teachers to campus for courses and workshops.

10. ENCOURAGE FACULTY MEMBERS TO MOVE IN OTHER DIRECTIONS.

Work to provide opportunities for alternate careers and to create incentives for early retirement in order to provide some openings for young teachers.

11. MAKE BETTER USE OF TRUSTEES AND ALUMNI.

Use the expertise of board members; make better use of alumni in recruiting new students and in strengthening the college's ties with other sectors.

12. ENLIST LOCAL BUSINESS LEADERS TO WORK ON SPECIFIC PROBLEMS.

Orient community leaders to long-term issues and needs. Bring local executives to campus on task forces requiring their experience.

13. IMPROVE COMMUNICATION WITH THE PUBLIC AND WITH BUSINESS.

Business leaders at these Fiscal Issues meetings stressed the urgency for colleges to explain their needs and restore public confidence in the value of their endeavor. The business community, affirmed one CEO, "is more interested than it is given credit for, but you must determine the mission of education: the definition of quality, the market to serve, plans for evolving and changing."

Conclusion: Beyond The Apocalypse

One of Lyndon B. Johnson's favorite stories, related by Princeton president William G. Bowen to an incoming freshman class, is about the candidate for a job as a railroad engineer who was asked at his oral exam: "What would you do if two railroad trains were approaching each other at speeds of 100 m.p.h. on a single track and were only 50 yards apart?" His answer: "I'd go and get my brother." When asked why, his response was: "He's never seen a train wreck." What President Bowen sought to illustrate was the value of "that kind of frank recognition that there are some problems with no full solution." The fiscal issues that menace higher education have no full solution, but the effort at these meetings was to devise some possible remedies for avoiding disaster.

When asked where higher education will go over the next decade, most college presidents would probably answer like the proverbial Vermonter: "If I had my druthers, I wouldn't start from here." The most optimistic picture is for more of the same: inflation, shrinking enrollments, reductions, cuts, mergers and, inevitably, some college closings. And yet, the mood among college leaders is not one of despair. They are not yet running to fetch their brother, to the great surprise of the business leaders, one of whom exclaimed at the Boston meeting: "If you don't have money for capital venture or plant maintenance or decent faculty salaries, how in the world can you be optimistic?" The reply of Vermont president Lattie Coor summed up the feelings of many college leaders, at least in their highest moments: "I think it is a problem susceptible of solution and I think it is within the grasp of this country. The investment we are talking about is a fraction of the investment involved in other problems if inflation can be kept within reasonable limits."

The brief "golden age" of higher education that followed World War II and Sputnik represented a unique and temporary boom. Otherwise, as someone has observed, higher education has been a depressed industry for 300 years. The first money raising efforts in the New World are said to have been for Harvard College, and since then fund raising has been a way of life for all

colleges. Yet, through demographic and economic fluctuations, higher education has repeatedly shown, in Trinity College president Theodore Lockwood's words, "a resourcefulness and resilience that should prevent fiascos such as happened to the American auto industry." And higher education has probably done a better job of managing and adapting itself than is generally recognized, even on campus.

During the next decade there will continue to be extremely tight management and careful planning. The curriculum will feature more career-oriented and technical training. There will be a broadening of the college population to include more adults, more part-time students, more women and minorities. Some decline in enrollments also seems inevitable, but as Howard R. Bowen, one of America's leading educational analysts, suggests in his new book on *The Cost of Higher Education*, this may not be a wholly negative phenomenon: "If enrollments should fall in the 80's, as is widely predicted, the nation would have a marvelous opportunity to convert a decline in quantity into an improvement in quality."

To meet this challenge, the colleges' primary task would appear to be to continue to perform in such a way as to justify the support of society at large and the corporate community in particular. For it seems more and more possible that the government could slowly take over education if the private business sector does not form an alliance with America's colleges and universities.

Indiana University president John Ryan has remarked that the person likely to be president of the United States in the year 2000 is probably on a college campus today. Soon the sons and daughters of the generation of the sixties will fill the ranks of our freshman classes. The conditions they meet and the education they receive in the 1980's will be shaped by the responses that are made — by the academy, business, and government — to the fiscal issues confronting higher education.

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Agenda

American Council of Life Insurance

FISCAL ISSUES IN HIGHER EDUCATION

Princeton University
October 26-27, 1978

Thursday, October 26, 1978

5:30 Reception and Registration. Nassau Inn.

6:30 Dinner; Speaker: John C. Sawhill, President of New York University: "Financing Higher Education: Historical Perspectives and Current Trends." Discussion

Friday, October 27, 1978

9:00-10:30 Woodrow Wilson School, Princeton University

1. College executives: Principal fiscal issues on campuses.
   John W. Ward, Amherst College
   George N. Rainsford, Kalamazoo College
   Harold Shapiro, University of Michigan
2. Comments by life insurance executives:
   Louis C. Stephens, Pilot Life Insurance Co., Greensboro, North Carolina
   Robert V. Van Fossan, Mutual Benefit Life Insurance Co., Newark, New Jersey
3. Discussion followed by Coffee break.

11:00-12:45 Small group discussion workshops:

Group 1. Discussion Leader: Howard Bowen, Claremont Graduate School
Rapporteur: Harry P. Seward, Bankers Life, Lincoln, Nebraska

Group 2. Discussion Leader: Martha Peterson, Beloit College
Rapporteur: Clifford H. Whitcomb
The Prudential Insurance Company
Newark, New Jersey

Group 3. Discussion Leader: Richard Turner, Grinnell College
Rapporteur: Colin Hampton, Union Mutual Life, Portland, Maine

Group 4. Discussion Leader: John Kneller, Brooklyn College
Rapporteur: G. Frank Purvis, Pan-American Life, New Orleans, Louisiana

1:00 Luncheon Discussion; Summaries by the rapporteurs.

Agenda

American Council of Life Insurance

FISCAL ISSUES IN HIGHER EDUCATION

Greensboro, North Carolina
October 11-12, 1979

Thursday, October 11

5:30 Registration

6:30 Dinner

Blake T. Newton, Jr., President, American Council of Life Insurance
"The Life Insurance Business and Higher Education"

Edward D. Sullivan, Chairman of the University Advisory Council, and Carol Rigolot, Princeton University
"The Princeton Conference: Key Issues, Questions & Recommendations"

John T. Caldwell, Chancellor-Emeritus, University of North Carolina, and Louis C. Stephens, Jr., President, Pilot Life Insurance Company
"Prospects for Business and Education Cooperation in the Region"

Discussion

Friday, October 12

9:00 Bruce Stewart, Provost, Guilford College, Samuel Spencer, President, Davidson College, and William R. Battle, President, Shenandoah Life Insurance Company
"Regional Needs and Ideas for Business-Education Collaboration on Fiscal Issues in Higher Education"

Discussion

Coffee break and informal discussion

Hoke L. Smith, President, Towson State University, and Harris P. Gravely, President, Liberty Life Insurance Company
"Proposals for the Future"

Discussion

1.:00 Luncheon

Terry Sanford, President, Duke University
"The President-to-President Perspective: A Conference Summary"

Agenda

American Council of Life Insurance

FISCAL ISSUES IN HIGHER EDUCATION

Kalamazoo College
May 1-2, 1980

Thursday, May 1, 1980

5:30 Registration

6:30 Dinner

Robert Froehlke, President-Elect, American Council of Life Insurance
"The Life Insurance Business and Higher Education"

Edward D. Sullivan, Chairman of the University Advisory Council and Carol Rigolot, Princeton University
"The Princeton and Greensboro Conferences: Key Issues, Questions, and Recommendations"

George N. Rainsford, President, Kalamazoo College
"Fiscal Problems for Higher Education in the Midwest"

Ian M. Rolland, President, The Lincoln National Life Insurance Company
"Business-Education Cooperation on Fiscal Issues: A Challenge"

Discussion

Friday, May 2, 1980

9:00 Charles J. Ping, President, Ohio University
"The Fiscal Problems of a University and Its Options"

E. Kirk McKinney, Jr., Chairman of the Board and President, Jefferson National Life Insurance Company
"Fiscal Problems and Business Strategies: A Response"

Discussion

10:15 Coffee Break with Informal Discussion

Thomas E. Wenzlau, President, Ohio Wesleyan University and James B. McIntosh, Chairman, The Midland Mutual Life Insurance Company
"Business Education Cooperation: Proposals for the Future"

Discussion

12:00 Luncheon

John W. Ryan, President, Indiana University
"The President-to-President Perspective: A Conference Summary"

Agenda

American Council of Life Insurance

FISCAL ISSUES IN HIGHER EDUCATION

Boston, Massachusetts
October 16-17, 1980

Thursday, October 16, 1980

6:00 P.M. Registration and Reception

6:30 Dinner
Robert F. Froehlke, President-elect, American Council of Life Insurance:
"The Life Insurance Business and Higher Education."
Edward D. Sullivan, Chairman of the University Advisory Council:
"The Fiscal Issues Conferences: Key Issues, Questions, and Propositions."
Willard F. Enteman, President, Bowdoin College and Colin C. Hampton, President, Union Mutual Life Insurance Company:
"Barriers to Cooperation — A Need for Change?"
Discussion

Friday, October 17, 1980

8:30 A.M. Coffee and danish

9:00 Theodore D. Lockwood, President, Trinity College and John G. McElwee, President, John Hancock Mutual Life Insurance Company:
"Fiscal Issues Today and Areas for Business-Education Collaboration."

9:30 Discussion

10:15 Coffee break and informal discussion

10:45 Lattie F. Coor, President, University of Vermont and Kenneth C. Nichols, President, Home Life Insurance Company:
"Prospects and Strategies for Business-Education Cooperation."

11:15 Discussion

12:00 Luncheon
Oakes Ames, President, Connecticut College:
"The President-to-President Perspective: A Conference Summary."

Conference Participants

FISCAL ISSUES IN HIGHER EDUCATION

□ **Princeton, New Jersey**	October 26-27, 1978
■ **Greensboro, North Carolina**	October 11-12, 1979
★ **Kalamazoo, Michigan**	May 1-2, 1980
• **Boston, Massachusetts**	October 16-17, 1980

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